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Certified Public Accountants

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## NEWS RELEASE

FOR RELEASE:     October 23, 2008

Lines Murphy & Company, P.L.C., of Osage today released an audit report on the City of Lamoni, Iowa.

The City's receipts totaled \$5,789,114 for the year ended June 30, 2008, a 16 percent increase from 2007. The receipts included \$3,942,351 in charges for service, \$522,565 from property tax, \$385,000 in bond proceeds \$281,586 from intergovernmental, and \$657,612 from other general receipts.

Disbursements for the year totaled \$5,202,190 a 14 percent increase from the prior year, and included \$1,235,057 in operating expenses, \$3,299,863 from business type activities, \$336,483 for debt service, and \$330,787 for capital projects.

A copy of the report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at:  
<http://auditor.iowa.gov/reports/reports.htm>.

**CITY OF LAMONI**  
**INDEPENDENT AUDITORS' REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FINDINGS**

**JUNE 30, 2008**

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**City of Lamoni**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2008)</b>		
Kirk Bjorland	Mayor	Jan 2010
Roger Potts	Council Member/Mayor Pro tem	Jan 2008
Steve Murdock	Council Member	Jan 2008
Mark Ballantyne	Council Member	Jan 2010
Anthony Crandell	Council Member	Jan 2010
Diane Gray	Council Member	Jan 2010
Deanna Ballantyne	Clerk/Administrator/Treasurer	Jan 2008
Barb Stuck	Deputy Clerk	Jan 2008
Robert Rolfe	Attorney	Jan 2008
<b>(After January 2008)</b>		
James Hammer	Mayor	Jan 2010
Roger Potts	Council Member/Mayor Pro tem	Jan 2012
Mark Ballantyne	Council Member	Jan 2010
Anthony Crandell	Council Member	Jan 2010
Diane Gray	Council Member	Jan 2010
Doug Foster	Council Member	Jan 2012
Deanna Ballantyne	Clerk/Administrator/Treasurer	Jan 2010
Barb Stuck	Deputy Clerk	Jan 2010
Robert Rolfe	Attorney	Jan 2010

## City of Lamoni

Independent Auditors' Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lamoni, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Lamoni's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lamoni as of June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated October 1, 2008 on our consideration of the City of Lamoni's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The City has elected not to present management's discussion and analysis to introduce the basic financial statements. It would present certain financial information and management's analytical insights on that information and is supplementary information required by the Governmental Accounting Standards Board, but is not a required part of the basic financial statements.

Budgetary comparison information on pages 17 through 19 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lamoni's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Another auditor, previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2005 (which are not presented herein) and expressed a qualified opinion on 2005 year and an unqualified opinion on the 2004 financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Lines Murphy & Company, P. L. C.  
Certified Public Accountants  
Osage, Iowa  
October 1, 2008

## Basic Financial Statements

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City of Lamoni

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2008

Functions / Programs:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Governmental activities:</b>				
Public safety	\$ 232,799	1,105	31,692	-
Public works	499,136	180,926	226,172	-
Culture and recreation	226,990	35,582	19,694	-
Community and economic development	137,163	80,734	11,180	-
General government	138,969	-	-	-
Debt service	144,511	-	-	-
Capital projects	330,787	-	-	456
Total governmental activities	1,710,355	298,347	288,738	456
<b>Business type activities:</b>				
Electric	1,942,552	2,085,977	-	-
Gas	871,837	939,259	-	-
Water	459,398	468,644	-	-
Sewer	218,048	257,908	-	-
Total business type activities	3,491,835	3,751,788	-	-
<b>Total</b>	<b>\$ 5,202,190</b>	<b>4,050,135</b>	<b>288,738</b>	<b>456</b>
<b>General Receipts:</b>				
Property tax levied for:				
General purposes				
Tax increment financing				
Debt service				
Local option sales tax				
Grants and contributions not restricted to specific purposes				
Unrestricted interest on investments				
Bond proceeds				
Miscellaneous				
Sale of assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
<b>Cash Basis Net Assets</b>				
Restricted:				
Streets				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
<b>Total cash basis net assets</b>				

See notes to financial statements.

**Exhibit A**

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(200,002)	-	(200,002)
(92,038)	-	(92,038)
(171,714)	-	(171,714)
(45,249)	-	(45,249)
(138,969)	-	(138,969)
(144,511)	-	(144,511)
(330,331)	-	(330,331)
(1,122,814)	-	(1,122,814)
-	143,425	143,425
-	67,422	67,422
-	9,246	9,246
-	39,860	39,860
-	259,953	259,953
(1,122,814)	259,953	(862,861)
428,389	-	428,389
40,923	-	40,923
95,024	-	95,024
131,350	-	131,350
49,972	-	49,972
979	78,804	79,783
385,000	-	385,000
34,344	-	34,344
205,000	-	205,000
72,323	(72,323)	-
1,443,304	6,481	1,449,785
320,490	266,434	586,924
274,047	1,848,629	2,122,676
\$ 594,537	2,115,063	2,709,600
\$ 104,994	-	104,994
22,394	-	22,394
-	248,128	248,128
11,106	-	11,106
456,043	1,866,935	2,322,978
\$ 594,537	2,115,063	2,709,600

City of Lamoni

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2008

	Special Revenue		
	General	Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	324,055	-	-
Tax increment financing	-	-	-
Other city tax	621	-	131,350
Licenses and permits	17,848	-	-
Use of money and property	13,879	-	-
Intergovernmental	13,646	209,384	-
Charges for service	190,563	-	-
Miscellaneous	131,949	-	-
Total receipts	692,561	209,384	131,350
Disbursements:			
Operating:			
Public safety	184,488	-	6,006
Public works	206,103	222,326	1,096
Culture and recreation	167,895	-	19,706
Community and economic development	99,879	-	-
General government	113,343	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	771,708	222,326	26,808
Excess (deficiency) of receipts over (under) disbursements	(79,147)	(12,942)	104,542
Other financing sources (uses):			
Bond proceeds	-	-	-
Sale of capital assets	205,000	-	-
Operating transfers in	49,532	-	-
Operating transfers out	-	-	(27,927)
Total other financing sources (uses)	254,532	-	(27,927)
Net change in cash balances	175,385	(12,942)	76,615
Cash balances beginning of year	(80,091)	117,936	177,815
Cash balances end of year	95,294	104,994	254,430
Cash Basis Fund Balances			
Unreserved:			
General fund	95,294	-	-
Special revenue funds	-	104,994	254,430
Debt service	-	-	-
Capital projects funds	-	-	-
Permanent fund	-	-	-
Total cash basis fund balances	95,294	104,994	254,430

See notes to financial statements.

**Exhibit B**

Debt Service	Capital Projects		Nonmajor	Total
	2007 Street Project	Airport FTA Grant		
94,797	-	-	103,713	522,565
-	-	-	40,922	40,922
227	-	-	-	132,198
-	-	-	-	17,848
-	456	-	604	14,939
-	-	42,249	16,307	281,586
-	-	-	-	190,563
-	-	-	35,952	167,901
95,024	456	42,249	197,498	1,368,522
-	-	-	42,305	232,799
-	-	-	69,611	499,136
-	-	-	39,389	226,990
-	-	-	37,284	137,163
-	-	-	25,626	138,969
144,511	-	-	-	144,511
-	299,448	30,678	661	330,787
144,511	299,448	30,678	214,876	1,710,355
(49,487)	(298,992)	11,571	(17,378)	(341,833)
-	385,000	-	-	385,000
-	-	-	-	205,000
47,791	-	-	4,428	101,751
-	-	-	(1,501)	(29,428)
47,791	385,000	-	2,927	662,323
(1,696)	86,008	11,571	(14,451)	320,490
(13,104)	-	(21,424)	92,915	274,047
(14,800)	86,008	(9,853)	78,464	594,537
-	-	-	-	95,294
-	-	-	55,004	414,428
(14,800)	-	-	-	(14,800)
-	86,008	(9,853)	12,354	88,509
-	-	-	11,106	11,106
(14,800)	86,008	(9,853)	78,464	594,537

**City of Lamoni**

## City of Lamoni

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2008

	Enterprise Funds				
	Electric	Gas	Water	Sewer	Total
Operating receipts:					
Charges for service	\$ 2,085,977	939,259	468,644	257,908	3,751,788
Operating disbursements:					
Business type activities	1,942,552	871,837	344,318	141,156	3,299,863
Excess (deficiency) of operating receipts over (under) operating disbursements	143,425	67,422	124,326	116,752	451,925
Non-operating receipts (disbursements):					
Interest on investments	32,573	10,286	18,121	17,824	78,804
Debt Service	-	-	(115,080)	(76,892)	(191,972)
Net non-operating receipts (disbursements)	32,573	10,286	(96,959)	(59,068)	(113,168)
Excess (deficiency) of receipts over (under) disbursements	175,998	77,708	27,367	57,684	338,757
Operating transfers out	(49,532)	-	(22,791)	-	(72,323)
Net change in cash balances	126,466	77,708	4,576	57,684	266,434
Cash balances beginning of year	640,456	378,606	395,030	434,537	1,848,629
Cash balances end of year	\$ 766,922	456,314	399,606	492,221	2,115,063
<b>Cash Basis Fund Balances</b>					
Reserved for debt service	\$ -	-	170,607	77,521	248,128
Unreserved	766,922	456,314	228,999	414,700	1,866,935
Total cash basis fund balances	\$ 766,922	456,314	399,606	492,221	2,115,063

See notes to financial statements.



City of Lamoni

Notes to Financial Statements

June 30, 2008

**(1) Summary of Significant Accounting Policies**

The City of Lamoni is a political subdivision of the State of Iowa located in Decatur County. It was first incorporated in 1885 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development, and general government services. The city also provides electric, gas, water and sewer utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Lamoni has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**Jointly Governed Organizations**

The City also participates in three jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commission: Solid Waist Management commission, County Emergency Management Commission, Decatur County Development Network, and Southern Iowa Council of Governments.

**B. Basis of Presentation**

**Government-wide Financial Statement** – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for public safety and culture and recreation funded by local option monies.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

Capital Projects:

The 2007 Street Project is used to account for the current street project.

The Airport FTA Grant Fund is used to account for the airport renovation.

The City reports the following major proprietary funds:

The Electric Fund accounts for the delivery of electricity to the citizens and businesses of Lamoni.



The Gas Fund accounts for the delivery of natural gas to the citizens and businesses of Lamoni.

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Lamoni maintains its financial records on the basis of cash receipts and disbursements and financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's investments at June 30, 2008 are as follows:

Type	Carrying Amount	Fair Value	Maturity
EE bonds	\$ 275	275	January 2015

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

### (3) Bonds and Notes Payable/Other Debt

Annual debt service requirements to maturity for general obligation bonds and notes, revenue bonds and notes and other debt are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Bonds and Notes		Other Debt		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	149,000	45,574	154,000	36,760	10,166	523	313,166	82,857
2010	160,000	38,770	155,000	31,720	10,291	398	325,291	70,888
2011	165,000	31,390	162,000	26,440	10,420	269	337,420	58,099
2012	86,000	23,583	54,000	20,700	10,553	137	150,553	44,420
2013	92,000	20,150	56,000	19,080	6,000	-	154,000	39,230
2014-2018	352,000	44,985	302,000	69,390	30,000	-	684,000	114,375
2019-2023	43,000	2,496	278,000	21,150	14,500	-	335,500	23,646
Total	1,047,000	206,948	1,161,000	225,240	91,930	1,327	2,299,930	433,515

The resolution providing for the issuance of the water revenue notes includes the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate water revenue note sinking account for the purpose of making the note principal and interest payments when due.
- (c) \$70,000 is required to be maintained in a water revenue note reserve account. The account is restricted for the purpose of paying the note principal and interest payments whenever, for any reason, the funds in the water revenue note sinking account is insufficient to pay such principal and interest when due.
- (d) Monthly transfers of \$1,500 shall be made to the water revenue note improvement and extension account, after the sinking and reserve funds have been adequately funded. Transfers are to be made until \$125,000 has been accumulated. This account is restricted for the purpose of paying for any improvement, extension or repair to the system or for correcting any deficiencies in the sinking and revenue accounts.



- (e) All funds remaining in the water account after the payment of all maintenance and operating expenses and required transfers shall be placed in the water revenue surplus account within the Enterprise Funds until a minimum of \$125,000 is accumulated. This account is restricted for the purpose of correcting any deficiencies in the sinking, reserve, and improvement and extension accounts.
- (f) User rates shall be established at a level which produces and maintains net revenues at a level not less than 125% of the amount of principal and interest on the notes falling due in the next year.

The resolution providing for the issuance of the sewer revenue bonds includes the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due.
- (c) All funds remaining in the sewer account after the payment of all maintenance and operating expenses and required transfers shall be placed in a water revenue surplus account within the Enterprise Funds. This account is restricted for the purpose of correcting any deficiencies in the sinking account.
- (d) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

#### **(4) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$60,100, \$55,193 and \$53,859, respectively equal to the required contributions for each year.

#### **(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, personal, and compensatory hours for subsequent use or for payment upon

termination, retirement or death. City employees accumulate a limited amount of earned but unused sick leave for subsequent use or for payment upon retirement at 50%. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, sick leave, personal and compensatory time termination payments payable to employees at June 30, 2008, primarily relating to the General and Proprietary Funds, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 57,073
Sick leave	84,094
Compensatory time	<u>6,444</u>
Total	<u>\$147,611</u>

This liability has been computed based on rates of pay in effect at June 30, 2008.

**(6) Commitment – Colony Housing Authority**

In December 1979, the city entered into an agreement with Colony Housing Authority (CHA) of Lamoni whereby CHA, who constructed and maintains a multiple dwelling complex for senior citizens, agreed to provide dining facilities for 30 additional persons. In consideration for the above, the City agreed to pay CHA \$500 per month commencing October 1, 1980, for a period of 480 months. The remaining balance at June 30, 2008 is \$74,500.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Enterprise: Electric	<u>\$ 49,532</u>
Special Revenue: Beautification Donations	Special Revenue: Bi-Centennial Trust	<u>21</u>
DARE Program	Police Computer	<u>170</u>
Fire Department Grant	Fire Department LMS	<u>500</u>
Community Center ROCCS	Community Center Carpet	<u>71</u>
Fire Truck Insurance	Local Option Sales Tax	<u>2,927</u>
Park Benches	Historic Tours	<u>283</u>
Special Events	Youth Fund	125
	Little League	<u>331</u>
		<u>456</u>
Debt Service	Special Revenue: Local Option Sales Tax	25,000



	Enterprise:	
	Water	<u>22,791</u>
		<u>47,791</u>
Total		<u>\$ 101,751</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(8) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$30 during the year ended June 30, 2008.

**(9) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Economic Development**

On June 19, 1997, the City entered into an agreement with Places Discount Stores where the City will make economic development tax rebate payments to the Company for ten fiscal years during the term of the agreement. The amounts paid will represent the property taxes paid with respect to the incremental value of the project minus the amount of taxes levied. The rebate payments will be made on December 1 and June 1 of each fiscal year, beginning December 1, 1999 and continuing through and including June 1, 2009. The tax rebate payments shall not constitute general obligations of the City, but shall be paid solely and only from incremental property taxes received by the City attributable to the property.

On August 9, 2001, the City entered into an agreement with Saab Auto and Lease, L.L.C. where the City will make economic development tax rebate payments to the Company for ten fiscal years during the term of the agreement. The amounts paid will represent the incremental property taxes paid with respect to the project by the company in that fiscal year. The tax rebate payments shall not constitute general obligations of the City, but shall be paid solely and only from incremental property taxes received by the City attributable to the property.

On April 10, 2003, the City entered into a development agreement with Southern Iowa Building Center, Inc. where the City agreed to make economic development tax rebate payments to the developer for ten fiscal years during the term of the agreement. The amounts paid will represent the property taxes paid with respect to the incremental value of the project minus the amount of taxes levied. The rebate payments will be made on December 1 and June 1 of each fiscal year, beginning December 1, 2005 and continuing through and including June 1, 2014. The tax payments shall not constitute general obligations of the City but shall be paid solely and only from incremental property taxes received by the City.

**(11) Wayne, Ringgold, and Decatur County Solid Waste Management Commission**

The City, in conjunction with thirty-one other municipalities and counties, has created the Wayne, Ringgold, and Decatur County Solid Waste Management Commission. The Commission was established for the primary purpose of providing for the collection and disposal of solid waste produced or generated by each participant. The Commission is governed by a board composed of an elected representative of the governed body of each participating governmental jurisdiction. During the year ended June 30, 2008 the City of Lamoni paid the Wayne, Ringgold and Decatur County Solid Waste Management Commission \$24,478.

The Commission may not be accumulating sufficient financial resources and the municipalities may be obligated for a proportionate share of the debt, therefore, the City has an ongoing financial obligation.

Completed financial statements for the Commission can be obtained from the Commission.

**(12) Deficit Fund Balances**

The City had the following deficit balances at June 30, 2008:

Special Revenue Funds:	Police Grant	\$ 7,317
	Police SCICF Grant	974
	Police Speed Trap	4,000
	Airport Hangars	9,293
	Airport Grants	2,407
	FEMA	27,818
Debt Service		14,800
Capital Projects	Airport FTA Grant	9,853

The deficits will be eliminated with transfers.

**(13) Construction Commitments**

On June 30, 2008, the City entered into a construction contract for the Airport Taxiway extension totaling \$373,169.

City of Lamoni

Budgetary Comparison Schedule  
of Receipts, Disbursements, and Changes in Balances -  
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 522,565	-	-
Tax increment financing	40,922	-	-
Other city tax	132,198	-	-
Licenses and permits	17,848	-	-
Use of money and property	14,939	78,804	-
Intergovernmental	281,586	-	-
Charges for service	190,563	3,751,788	-
Miscellaneous	167,901	-	-
Total receipts	<u>1,368,522</u>	<u>3,830,592</u>	<u>-</u>
Disbursements:			
Public safety	232,799	-	-
Public works	499,136	-	-
Culture and recreation	226,990	-	-
Community and economic development	137,163	-	-
General government	138,969	-	-
Debt service	144,511	-	-
Capital projects	330,787	-	-
Business type activities	-	3,491,835	-
Total disbursements	<u>1,710,355</u>	<u>3,491,835</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	(341,833)	338,757	-
Other financing sources (uses), net	<u>662,323</u>	<u>(72,323)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing sources (uses)	320,490	266,434	-
Balances beginning of year	<u>274,047</u>	<u>1,848,629</u>	<u>-</u>
Balances end of year	<u>\$ 594,537</u>	<u>2,115,063</u>	<u>-</u>

See accompanying independent auditors' report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
522,565	525,686	525,686	(3,121)
40,922	39,265	39,265	1,657
132,198	113,000	133,000	(802)
17,848	3,493	3,493	14,355
93,743	18,550	18,550	75,193
281,586	470,254	666,054	(384,468)
3,942,351	4,005,781	4,121,781	(179,430)
167,901	34,480	43,680	124,221
5,199,114	5,210,509	5,551,509	(352,395)
232,799	267,647	267,647	34,848
499,136	410,936	514,936	15,800
226,990	242,955	256,955	29,965
137,163	43,850	142,850	5,687
138,969	144,026	144,026	5,057
144,511	334,252	334,252	189,741
330,787	-	400,000	69,213
3,491,835	3,582,398	3,732,398	240,563
5,202,190	5,026,064	5,793,064	590,874
(3,076)	184,445	(241,555)	238,479
590,000	-	581,000	9,000
586,924	184,445	339,445	247,479
2,122,676	1,865,442	2,122,679	(3)
2,709,600	2,049,887	2,462,124	247,476



City of Lamoni

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment was added to include the receipts and disbursements of the utilities, which increased budgeted receipts and disbursements by \$341,000 and \$767,000, respectively. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted.

City of Lamoni

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2008

	Special Revenue			
	Fire Equipment Grant	Library DEKKO	Community Center/ Elliott Trust	Library Book Trust
Receipts:				
Property tax	-	-	-	-
Tax increment financing collections	-	-	-	-
Use of money and property	-	-	-	-
Intergovernmental	-	-	-	-
Miscellaneous	-	-	-	5,486
Total receipts	-	-	-	5,486
Disbursements:				
Operating:				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	83	7,180
Community and economic development	-	-	-	-
General government	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	-	-	83	7,180
Excess (deficiency) of receipts over (under) disbursements	-	-	(83)	(1,694)
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources	-	-	-	-
Net change in cash balances	-	-	(83)	(1,694)
Cash balances beginning of year	1,879	25,000	875	16,399
Cash balances end of year	1,879	25,000	792	14,705
Cash Basis Fund Balances				
Unreserved:				
Special revenue funds	1,879	25,000	792	14,705
Capital projects fund	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	1,879	25,000	792	14,705

See accompanying independent auditors' report.



Special Revenue									
Library Memorial	Bi-Centennial Trust	DARE Program	Library After School	Fire Department ROCCS Grant	Beautification Donations	Welcome Center	Fire Department LMS	Community Center Carpet	Library Building
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	65	-	-	-	-	-	-	-
545	-	200	-	-	5,000	-	-	-	-
545	-	265	-	-	5,000	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
1,710	-	-	920	-	-	-	-	-	3,697
-	-	-	-	-	70	-	-	-	-
-	-	-	-	-	-	-	-	-	-
1,710	-	-	920	-	70	-	-	-	3,697
(1,165)	-	265	(920)	-	4,930	-	-	-	(3,697)
-	-	170	-	-	21	-	-	-	-
-	(21)	-	-	-	-	-	(500)	(71)	-
-	(21)	170	-	-	21	-	(500)	(71)	-
(1,165)	(21)	435	(920)	-	4,951	-	(500)	(71)	(3,697)
1,915	296	(165)	1,000	148	1,100	14	500	118	13,861
750	275	270	80	148	6,051	14	-	47	10,164
750	275	270	80	148	6,051	14	-	47	10,164
-	-	-	-	-	-	-	-	-	-
750	275	270	80	148	6,051	14	-	47	10,164
-	-	-	-	-	-	-	-	-	-
750	275	270	80	148	6,051	14	-	47	10,164

Special Revenue									
Fire Truck Insurance	Historic Tours	North Park Betterment	CDBG Real Estate Trust	Pool ROCCS Grant	Airport Trust	Police Grant	Fire Department Grant	Recreation Kum & Go	Parks- Harrington
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	11,300	-	-	-
-	-	1,935	-	240	-	150	-	-	-
-	-	1,935	-	240	-	11,450	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	2,026	-	286	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	2,026	-	286	-	-	-	-	-
-	-	(91)	-	(46)	-	11,450	-	-	-
2,927	-	-	-	-	-	-	500	-	-
-	(283)	-	-	-	-	-	-	-	-
2,927	(283)	-	-	-	-	-	500	-	-
2,927	(283)	(91)	-	(46)	-	11,450	500	-	-
(2,927)	283	647	1,503	900	1,198	(18,767)	(500)	954	583
-	-	556	1,503	854	1,198	(7,317)	-	954	583
-	-	556	1,503	854	1,198	(7,317)	-	954	583
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	556	1,503	854	1,198	(7,317)	-	954	583



Special Revenue									
Police SCICF Grant	Police Speed Trap	Fire SCICF Grant	Streets Insurance	Airport SCICF Grant	Rec Trail ROCCS Grant	Recreation Pressbox	Pool SCICF Grant	Shop Lamoni Campaign	EMS Donation
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	300	-	-	500	-
2,500	-	5,000	1,896	5,000	-	6,000	2,000	-	-
2,500	-	5,000	1,896	5,000	300	6,000	2,000	500	-
3,474	4,000	317	-	-	-	-	-	-	-
-	-	-	1,896	3,279	-	-	1,965	-	-
-	-	-	-	-	-	-	-	500	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
3,474	4,000	317	1,896	3,279	-	-	1,965	500	-
(974)	(4,000)	4,683	-	1,721	300	6,000	35	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
(974)	(4,000)	4,683	-	1,721	300	6,000	35	-	-
-	-	-	-	-	-	-	-	-	200
(974)	(4,000)	4,683	-	1,721	300	6,000	35	-	200
(974)	(4,000)	4,683	-	1,721	300	6,000	35	-	200
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
(974)	(4,000)	4,683	-	1,721	300	6,000	35	-	200

**Schedule 1**

Housing Acquisition/ Demolition	Special Revenue					Capital Projects		Permanent	Total
	Airport Hangars	Airport Grants	Airport Beacon	FEMA	Employee Benefits	Tax Increment Financing	Recreation Trail	Jeffries Library Memorial	
-	-	-	-	-	103,713	-	-	-	103,713
-	-	-	-	-	-	40,922	-	-	40,922
-	-	-	-	-	-	-	-	604	604
-	-	500	-	3,642	-	-	-	-	16,307
-	-	-	-	-	-	-	-	-	35,952
-	-	500	-	3,642	103,713	40,922	-	604	197,498
-	-	-	-	-	34,437	-	-	-	42,305
-	1,564	-	-	31,460	31,304	-	-	-	69,611
-	-	-	-	-	18,984	-	-	217	39,389
-	-	-	-	-	10,802	23,912	-	-	37,284
-	-	-	-	-	25,626	-	-	-	25,626
-	-	-	-	-	-	-	661	-	661
-	1,564	-	-	31,460	121,153	23,912	661	217	214,876
-	(1,564)	500	-	(27,818)	(17,440)	17,010	(661)	387	(17,378)
-	-	-	-	-	-	-	-	-	4,428
-	-	-	-	-	-	-	-	-	(1,501)
-	-	-	-	-	-	-	-	-	2,927
-	(1,564)	500	-	(27,818)	(17,440)	17,010	(661)	387	(14,451)
523	(7,729)	(2,907)	358	-	17,553	5,384	13,015	10,719	92,915
523	(9,293)	(2,407)	358	(27,818)	113	22,394	12,354	11,106	78,464
523	(9,293)	(2,407)	358	(27,818)	113	22,394	-	-	55,004
-	-	-	-	-	-	-	12,354	-	12,354
-	-	-	-	-	-	-	-	11,106	11,106
523	(9,293)	(2,407)	358	(27,818)	113	22,394	12,354	11,106	78,464

City of Lamoni  
Schedule of Indebtedness  
Year ended June 30, 2008

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Fire station	Jul 7, 2005	3.90%	\$ 300,000
Street improvement	Oct 15, 2007	4.00-4.50%	385,000
Total			
General obligation notes:			
Street improvement	Dec 1, 2000	5.45-5.60%	\$ 530,000
Water improvement	Mar 1, 2001	3.84%	298,000
Total			
Revenue bonds:			
Sewer	Jun 30, 2002	3.00%	\$ 514,000
Sewer	Oct 15, 2002	3.00%	594,000
Total			
Revenue notes:			
Water	Nov 15, 2004	3.40-3.80%	\$ 700,000
Other debt:			
Crown colony contract	Oct 1, 1980	N/A	\$ 240,000
Airport loan	Apr 12, 2002	3.00%	40,000
Total			

See accompanying independent auditors' report.



**Schedule 2**

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
250,000	-	25,000	225,000	9,430	-
-	385,000	-	385,000	-	-
<b>\$ 250,000</b>	<b>385,000</b>	<b>25,000</b>	<b>610,000</b>	<b>9,430</b>	<b>-</b>
290,000	-	65,000	225,000	15,930	-
226,000	-	14,000	212,000	8,678	-
<b>\$ 516,000</b>	<b>-</b>	<b>79,000</b>	<b>437,000</b>	<b>24,608</b>	<b>-</b>
412,000	-	22,000	390,000	12,360	-
477,000	-	26,000	451,000	14,310	-
<b>\$ 889,000</b>	<b>-</b>	<b>48,000</b>	<b>841,000</b>	<b>26,670</b>	<b>-</b>
420,000	-	100,000	320,000	14,680	-
80,500	-	6,000	74,500	-	-
21,475	-	4,045	17,430	644	-
<b>\$ 101,975</b>	<b>-</b>	<b>10,045</b>	<b>91,930</b>	<b>644</b>	<b>-</b>

City of Lamoni  
Bond and Note Maturities  
June 30, 2008

Year Ending June 30,	General Obligation Bonds					General	
	Fire Station		Street Improvement		Total	Street Improvement	
	Issued Jul 7, 2005		Issued Oct 15, 2007			Issued Dec 1, 2000	
	Interest Rates	Amount	Interest Rates	Amount		Interest Rates	Amount
2009	3.90%	\$ 30,000	4.00%	\$ 35,000	65,000	5.45%	\$ 70,000
2010	3.90%	30,000	4.00%	40,000	70,000	5.50%	75,000
2011	3.90%	30,000	4.10%	40,000	70,000	5.60%	80,000
2012	3.90%	30,000	4.20%	40,000	70,000	-	-
2013	3.90%	35,000	4.25%	40,000	75,000	-	-
2014	3.90%	35,000	4.35%	45,000	80,000	-	-
2015	3.90%	35,000	4.40%	45,000	80,000	-	-
2016	-	-	4.45%	50,000	50,000	-	-
2017	-	-	4.50%	50,000	50,000	-	-
2018	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-
2020	-	-	-	-	-	-	-
2021	-	-	-	-	-	-	-
Total		\$ 225,000		\$ 385,000	610,000		\$ 225,000

Year Ending June 30,	Revenue Bonds					Revenue Notes	
	Sewer		Sewer		Total	Water	
	Issued Jun 30, 2002		Issued Oct 15, 2002			Issued Nov 15, 2004	
	Interest		Interest			Interest	
	Rates	Amount	Rates	Amount		Rates	Amount
2009	3.00%	\$ 23,000	3.00%	\$ 26,000	49,000	3.40%	\$ 105,000
2010	3.00%	23,000	3.00%	27,000	50,000	3.60%	105,000
2011	3.00%	24,000	3.00%	28,000	52,000	3.80%	110,000
2012	3.00%	25,000	3.00%	29,000	54,000	-	-
2013	3.00%	26,000	3.00%	30,000	56,000	-	-
2014	3.00%	26,000	3.00%	31,000	57,000	-	-
2015	3.00%	27,000	3.00%	32,000	59,000	-	-
2016	3.00%	28,000	3.00%	32,000	60,000	-	-
2017	3.00%	29,000	3.00%	33,000	62,000	-	-
2018	3.00%	30,000	3.00%	34,000	64,000	-	-
2019	3.00%	31,000	3.00%	35,000	66,000	-	-
2020	3.00%	32,000	3.00%	37,000	69,000	-	-
2021	3.00%	33,000	3.00%	38,000	71,000	-	-
2022	3.00%	33,000	3.00%	39,000	72,000	-	-
Total		\$ 390,000		\$ 451,000	841,000		\$ 320,000

See accompanying independent auditors' report.

**Schedule 3**

Obligation Notes			Other Debt					
Water Improvement			Crown Colony Contract			Airport Loan		
Issued Mar 1, 2001			Issued Oct. 1, 1980			Issued Apr. 12, 2002		
Interest			Interest			Interest		
Rates	Amount	Total	Rates	Amount		Rates	Amount	Total
3.84%	\$ 14,000	84,000	N/A	\$ 6,000		3.00%	\$ 4,166	10,166
3.84%	15,000	90,000		6,000		3.00%	4,291	10,291
3.84%	15,000	95,000		6,000		3.00%	4,420	10,420
3.84%	16,000	16,000		6,000		3.00%	4,553	10,553
3.84%	17,000	17,000		6,000		-	-	6,000
3.84%	17,000	17,000		6,000		-	-	6,000
3.84%	18,000	18,000		6,000		-	-	6,000
3.84%	18,000	18,000		6,000		-	-	6,000
3.84%	19,000	19,000		6,000		-	-	6,000
3.84%	20,000	20,000		6,000		-	-	6,000
3.84%	21,000	21,000		6,000		-	-	6,000
3.84%	22,000	22,000		6,000		-	-	6,000
-	-	-		2,500		-	-	2,500
	<u>\$ 212,000</u>	<u>437,000</u>		<u>\$ 74,500</u>			<u>\$ 17,430</u>	<u>91,930</u>

**Schedule 4**

## City of Lamoni

Schedule of Receipts By Source and Disbursements By Function –  
All Governmental Funds

For the Last Five Years

	2008	2007	2006	2005	2004
Receipts:					
Property tax	\$ 522,565	528,850	516,208	472,696	470,646
Tax increment financing collections	40,922	37,754	48,751	46,607	30,214
Other city tax	132,198	122,015	103,695	123,931	102,130
Licenses and permits	17,848	2,923	5,320	3,238	4,340
Use of money and property	14,939	15,587	16,966	21,302	15,397
Intergovernmental	281,586	296,819	646,347	445,651	272,793
Charges for service	190,563	190,790	185,773	172,962	151,651
Miscellaneous	167,901	207,189	131,358	360,411	127,047
Total	<u>\$ 1,368,522</u>	<u>1,401,927</u>	<u>1,654,418</u>	<u>1,646,798</u>	<u>1,174,218</u>
Disbursements:					
Operating:					
Public safety	\$ 232,799	282,443	764,396	240,241	253,426
Public works	499,136	421,147	422,318	395,564	373,860
Culture and recreation	226,990	197,735	311,418	280,795	232,608
Community and economic development	137,163	95,912	73,196	75,298	47,938
General government	138,969	126,163	139,699	136,823	138,504
Debt service	144,511	343,423	338,720	275,348	122,947
Capital projects	330,787	123,014	412,303	578,299	39,103
Total	<u>\$ 1,710,355</u>	<u>1,589,837</u>	<u>2,462,050</u>	<u>1,982,368</u>	<u>1,208,386</u>

See accompanying independent auditors' report.



# **LINES MURPHY & COMPANY, P.L.C.**

# **M**

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Independent Auditors' Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lamoni, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated October 1, 2008. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.  
Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Lamoni's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Lamoni's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Lamoni's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Lamoni's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Lamoni's financial statements that is more than inconsequential will not be prevented or detected by the City of Lamoni's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Lamoni's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-08 is a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lamoni's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Lamoni's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Lamoni's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Lamoni and other parties to whom the City of Lamoni may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Lamoni during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Lines Murphy & Company P.L.C.*

Lines Murphy & Company, P. L. C.  
Certified Public Accountants  
Osage, Iowa  
October 1, 2008



City of Lamoni

Schedule of Findings

Year ended June 30, 2008

**Part I: Summary of the Independent Auditors' Results:**

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including one material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.



City of Lamoni

Schedule of Findings

Year ended June 30, 2008

**Part II: Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

II-A-08     Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that certain functions are not entirely segregated.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

City of Lamoni

Schedule of Findings

Year ended June 30, 2008

**Part III: Other Findings Related to Statutory Reporting:**

III-A-08 Certified Budget – Disbursements during the year ended June 30, 2008 did not exceed the amounts budgeted.

III-B-08 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-08 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-08 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Barbara Hammer, wife of mayor, Owner of Tailored Threads	Uniform alterations	\$ 30

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions with the above individual do not appear to represent a conflict of interest since total transactions with the individual were less than \$2,500 during the fiscal year.

III-E-08 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-08 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

III-G-08 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the City's investment policy were noted.

III-H-08 Code of Ordinances – The City's code of ordinances has not been maintained as required by Chapter 380.8 of the Code of Iowa.

Recommendation – The City should compile the code of ordinances to bring it into compliance with Chapter 380.8 of the Code of Iowa.

Response – We are in the process of compiling the code of ordinances.

Conclusion – Response accepted.

City of Lamoni

Schedule of Findings

Year ended June 30, 2008

- III-I-08 Revenue Bonds and Notes – The resolution providing for the issuance of the 2004 water revenue notes requires that monthly transfers be made to a water revenue sinking account until the minimum balance is met. This account is below the minimum required balance at June 30, 2008. Also, user rates shall be established at a level which produces and maintains net revenues at a level not less than 125% of the amount of principal and interest on the notes falling due in the same year. Net revenues for the year ended June 30, 2008 did not meet the minimum amount.

Recommendation – The City should make the necessary transfers to bring the water revenue sinking account to the required balance. The City should also adjust user rates to comply with the resolution requirements for the water revenue refunding notes.

Response – We will do so.

Conclusion – Response accepted.

- III-J-08 Financial Condition – The City had the following deficit balances at June 30, 2008:

Special Revenue Funds:	Police Grant	\$ 7,317
	Police SCICF Grant	974
	Police Speed Trap	4,000
	Airport Hangars	9,293
	Airport Grants	2,407
	FEMA	27,818
Debt Service		14,800
Capital Projects	Airport FTA Grant	9,853

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response – We will do so.

Conclusion – Response accepted.

- III-K-08 Outstanding Checks – Unclaimed property per Chapter 556.1(10) of the Code of Iowa has not been reported to the State Treasurer as required.

Recommendation – The City should comply with Chapter 556.1(10) of the Code of Iowa.

Response – We will do so.

Conclusion – Response accepted.